

Financial markets survey

20 July 2020

INVESTORS ARE EXPECTING NEW INCENTIVES

The tension between the US and China is growing
Ukraine's population continues shrinking
Banks increased demand for interest-rate swaps with the NBU

GLOBAL MARKET

During the previous week, the leading American stock indices almost returned to the levels registered at the beginning of the current year. Stocks of some hi-tech giants even managed to set new historical record-highs. Positive moods of investors were supported by news about Modena's successful testing of its coronavirus vaccine, monetary incentives and data on recovery of industrial output in the US in the second quarter. During the current week, the US Congress will begin working on a new package of fiscal incentives. In addition, the extended unemployment benefits program may be prolonged.

Investors are focusing their attention on the tension in relations between the US and China and the season of corporate financial statements in the US (indicators of some companies that have already submitted their statements turned out to be better than expected). US President Donald Trump signed a bill into law that is introducing new sanctions against China for its actions related to Hong Kong.

The Consumer Price Index (CPI) in the US grew to 0.6% in June compared to May. In annual terms, inflation also accelerated to 0.6%. In June, retail sales in the US rose 7.5% compared to May (the forecast was 5.00%) and 1.1% in annual terms.

As a result of the ECB meeting, which was held on 16 July, key interest rates and the quantitative easing program remained expectedly unchanged. European Central Bank President Christine Lagarde mentioned that there were early signs of economic recovery. ECB President Christine Lagarde is expecting business activity to rebound in the third quarter, but emphasized that the situation was highly uncertain and required active monetary incentives.

Since 17 July, the Euro Summit has been taking place to bring leaders of the EU countries together for the purpose of agreeing the European Union budget for 2021-2027 (almost EUR 1.1 trillion) and an assistance package to help the EU economies recover (EUR 750.0 billion). Mass media have been mentioning the atmosphere of tension in discussions that split the European Union and divided it into "north", "south" and "east".

On Wednesday, 15 July, the Organization of Petroleum Exporting Countries and their allies (OPEC+) agreed to increase petroleum output, since global economy is slowly recovering from the consequences of the coronavirus pandemic. As a result, crude oil output will be curtailed from 9.7 million barrels per day to 7.7 million barrels per day. Such conditions will be in effect starting from the next month, August, till December 2020.

During the previous week, trading in the "EUR/USD" pair ranged within the limits of USD 1.1295-1.1451/EUR.

www.pumb.ua

Department of Investment Business
Andriivska St., 4, Kiev, Ukraine 04070
tel. +38 044 231 7380

WEEKLY ISSUE

EXCHANGE RATES

Foreign currency	last	week ch.. %	mon. ch.. %	YTD. %
EUR/USD	1.1428	1.3	1.7	1.7
GBP/USD	1.2568	-0.4	0.1	-5.2
USD/RUB	71.2310	0.5	2.1	15.1
USD/UAH	27.3606	1.5	2.2	15.5

STOCK MARKETS

Index	last	week ch.. %	mon. ch.. %	YTD. %
S&P 500 (US)	3224.7	1.2	3.6	-0.2
FTSE 100 (UK)	6290.3	3.2	0.6	-16.6
MXME (East. Eur.)	143.8	-2.7	-3.5	-25.5
PFTS (Ukraine)	500.2	0.2	0.2	-1.9
RTS (Russia)	1216.2	-2.4	-1.8	-21.5

KEY RATES

Rate	last	week ch.. %	mon. ch.. %	YTD. %
Libor 1Y. % p.a.	0.470	-2.1	-19.5	-76.5
FRS. % p.a.	0.00-0.25	0.0	0.0	-85.7
ECB. % p.a.	0.00	0.0	0.0	0.0
NBU. % p.a.	6.000	0.0	0.0	-55.6
CB RF. % p.a.	4.500	0.0	-18.2	-28.0

COMMODITY MARKETS

Commodity	last	week ch.. %	mon. ch.. %	YTD. %
Wheat. USD/ton	192.5	2.7	0.0	-5.6
Brent. USD/barrel	43.1	-0.2	5.8	-31.0
WTI. USD/barrel	40.6	0.1	6.2	-30.4
Gold. USD/ounce	1807.4	0.2	4.8	19.3

Source: Bloomberg

MACROECONOMICS

Agriculture

According to information of the State Statistics Service, agricultural output in Ukraine grew 103.7% in June 2020 compared to May 2020. Compared to June of the previous year, the country registered a 40.6% drop in agricultural output.

Over January-June 2020, the Agricultural Output Index in Ukraine reached 81.3% compared to the relevant period of the previous year. At that, plant growing output plummeted 56.8%, while livestock breeding output declined 2.2%.

Agricultural output declined over January-June 2020 due to agricultural output shrinking 26.7% at agricultural enterprises and 8.4% at households.

Over the first half of the current year, agricultural output went up in two Ukrainian regions, declined in twenty-one regions and remained at the level of the previous period in one Ukrainian region.

Agricultural output grew the most in Zakarpattya region (+10.7%) and Vinnytsya region (+1.8%). Agricultural output shrank the most in Odessa region (-66.9%), Zaporizhzhya region (-52.7%) and Mykolayiv region (-52.1%).

Unemployment

The total number of registered unemployed went up 6,300 individuals in June 2020 compared to May 2020 and landed at 517,700 individuals by the end of June 2020.

The majority of registered unemployed were women, totaling 298,600 individuals.

In June, the number of vacant positions stood at 57,900 vacancies. There were nine registered unemployed per each vacancy in June 2020.

The total number of registered unemployed receiving unemployment benefit landed at 432,600 individuals by the end of June 2020.

The average size of unemployment benefit shrank UAH 112.00 in June 2020 compared to the previous month and stood at UAH 3,491.00.

Demographic situation

According to estimates of the State Statistics Service, Ukraine's present population stood at 41,785,758 people as of 1 June 2020.

The number of deaths continues to seriously outpace the number of live births: 48 newborns per every 100 deceased.

Ukraine's resident population totaled 41,616,121 people as of 1 June 2020 (according to estimates). The average resident population reached 41,674,450 people over January-May 2020.

Over January-May of the current year, Ukraine's population shrank 116,658 people.

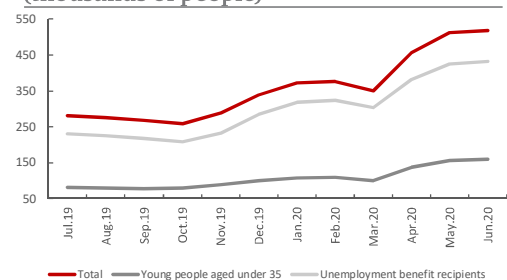
Migration helped increase population numbers by 7,341 people over January-May 2020.

LATEST MACROECONOMIC DATA

Indicator	Value
Change in agricultural output in June 2020, % year-on-year	-40.6
Change in agricultural output over January-June 2020, % year-on-year	-18.7

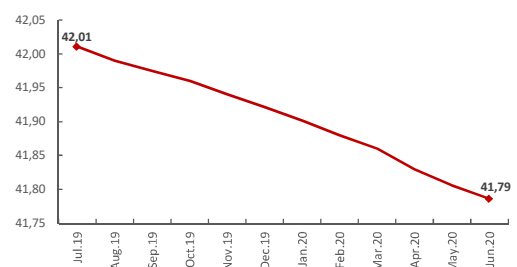
Source: the State Statistics Service

REGISTERED UNEMPLOYED (thousands of people)



Source: the State Statistics Service

POPULATION (MILLIONS OF PEOPLE)



Source: the State Statistics Service

BOND MARKET AND PUBLIC FINANCE

At a scheduled auction for placing domestic government bonds, which was held on 14 July, the Ministry of Finance (MoF) offered, in addition to domestic government bonds denominated in hryvnia, also bonds denominated in US dollars. Again, bonds denominated in hryvnia raised little interest among investors, whereas almost the entire sum raised to the State Budget was attracted through bonds denominated in foreign currency.

Three bids for the total of UAH 3.0 million (at face-value) were submitted for purchasing bonds maturing in three months. The requested yield stood at 7.00% p.a. The MoF satisfied the entire demand in full.

Bonds maturing in twelve months scored two bids for the total of UAH 3.0 million (at face-value). The requested yields ranged within the limits of 9.20-9.50% p.a. The MoF set the accepted yield at 9.20% p.a. and rejected one bid.

Four bids for the total of UAH 4.5 million (at face-value) were submitted for purchasing bonds maturing in three years. The single requested yield ranged stood at 10.00% p.a. The MoF satisfied the entire demand in full.

Bonds denominated in US dollars and maturing in twelve months enjoyed the highest demand - forty-six bids for the total of USD 294.9 million (at face-value). The requested yields ranged within the limits of 3.40-4.50% p.a. The MoF set the accepted yield at 3.50% p.a. and satisfied 99.5% of demand.

As a result of the auction held on 14 July 2020, the MoF managed to raise UAH 8.3 billion to the State Budget of Ukraine (at the NBU rate).

Over the previous week, the volume of outstanding domestic government bonds went up UAH 9.4 billion and, as of 17 July 2020, totaled UAH 868.4 billion (according to the total principal).

During the current week, the MoF will have to pay out one issue of domestic government bonds for the total of USD 83.4 million (due on 22 July).

NBU TRANSACTIONS

The second interest-rate swap auction took place on 15 July 2020. Seven banks participated in the auction. The total amount of bids reached UAH 2.5 billion. Bids of five banks for the total of UAH 410.0 million were satisfied. The weighted average fixed interest rate offered by these banks in exchange of the floating rate determined subject to the UONIA Index landed at 6.5%, same as at the first auction.

Over the previous week, market participants purchased NBU deposit certificates for the total of UAH 183.8 billion, including overnight certificates of deposit for the total of UAH 92.3 billion (the interest rate for overnight certificates of deposit stood at 5.00% p.a.).

As a result of the NBU quantitative liquidity-providing tender to refinance banks, which was held on Friday, 17 July, bids of four banks for the total of UAH 0.4 billion were satisfied. The interest rate reached 6.00% p.a. The loans were provided for the period of eighty-four days.

On Friday, 17 July, the National Bank placed deposit certificates maturing in seven days for the total of UAH 91.5 billion, satisfying bids of fifty banks. The interest rate stood at 6.00% p.a.

Past week banks used the standing refinancing facility (overnight loans) for the total of UAH 10.0 million (the interest rate was 7.00% p.a.).

The balance of the State Treasury transactions landed at UAH 4.3 billion over 13-17 July.

The banking system liquidity is staying at a sufficient level.

THE RESULTS OF PLACING DOMESTIC BONDS

Date of placement	Type of Domestic Bonds	Weight-average yield	Submit./satisfied bids	Funds raised, UAH millions
14 July	77 days	7.00%	3/3	3.17
14 July	350 days	9.20%	2/1	2.78
14 July	945 days	10.00%	4/4	4.61
14 July	323 days	3.50%	46/43	306.30*

* USD millions

Source: the Ministry of Finance of Ukraine

HOLDERS OF DOMESTIC BONDS

Owner	last value, UAH billion	week ch.. %	mon. ch.. %	YTD. %
NBU	324.6	0.0	0.0	-3.7
Banks	412.3	2.4	0.9	22.5
Legal entities	29.1	3.1	-43.9	10.3
Private individ.	7.3	5.5	-4.8	-24.9
Non-residents	95.1	-1.6	-6.3	-19.2

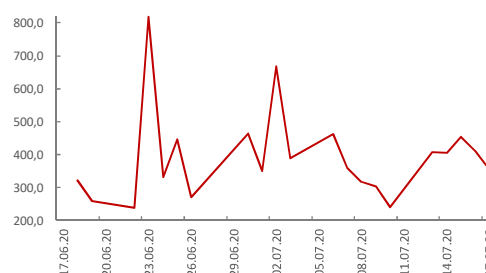
Source: the National Bank of Ukraine

MARKET INDICATORS

Indicator	last	week ch.. %	mon. ch.. %	YTD. %	
The balance on c/a. UAH billions	52.7	-19.7	-24.0	0.6	
NBU refinancing. UAH billions	48.7	0.2	-1.2	8.2	
NBU deposit certificates	O/N. UAH billions	19.0	87.6	26.5	-67.7
	Total. UAH billions	110.5	14.1	-20.1	-27.3

Source: the National Bank of Ukraine

TRADING VOLUMES (USD MILLIONS)



Source: NBU

INTERBANK LENDING MARKET

The interbank lending market was stable during the previous week. Rates for overnight lending loans in the national currency were ranging within the limits of 4.00-6.00% p.a.

FOREIGN EXCHANGE MARKET

During the previous week, Ukraine's interbank foreign exchange market operated expecting the appointment of a new NBU governor. The Ukrainian currency found itself under the pressure of psychological factors, first of all, due to the uncertainty regarding a new National Bank policy under the guidance of Kyrylo Shevchenko appointed NBU Governor on 16 July. As a result, on Friday, 17 July, the weighted average exchange rate on the interbank foreign exchange market was registered at UAH 27.3606/USD.

In the course of the previous week, trading on the interbank foreign exchange market ranged within the following limits: UAH 27.02-27.12/USD on Monday, 13 July, UAH 27.10-27.20/USD on Tuesday, 14 July, UAH 27.05-27.15/USD on Wednesday, 15 July, UAH 27.20-27.33/USD on Thursday, 16 July, and UAH 27.32-27.45/USD on Friday, 17 July.

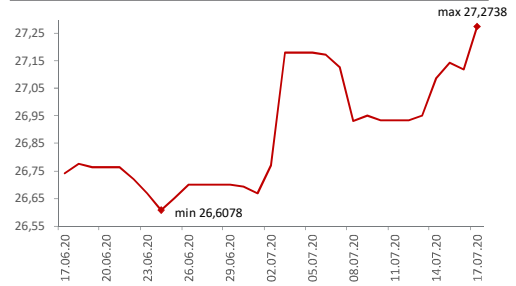
Over 13-17 July, the National Bank refrained from interventions on the interbank foreign exchange market (for the first time since September 2018).

The overall foreign currency sales on the interbank foreign exchange market reached USD 1.8 billion over the previous week.

BONDS OF UKRAINIAN ISSUERS ON GLOBAL MARKETS

Over May-July 2020, VFU Funding PLC, the financial department of Vodafone Ukraine, a mobile operator, bought out and annulled Eurobonds for the total of USD 2.7 million according to terms and conditions of its credit contracts. The Eurobonds were issued according to the Regulation S for the total of USD 1.0 million on 01 May, another USD 1.0 million on 18 May and USD 0.7 million on 02 July.

NBU EXCHANGE RATE (UAH/USD)



Source: NBU

QUOTATIONS ON GLOBAL MARKETS

Name	Coupon	Maturity	Bid Price	Ask Price	Ask YTM	Cur
Ukraine-2020	7,75	01.09.2020	99,87	100,37	4,15	USD
Ukraine-2021	7,75	01.09.2021	102,54	103,21	4,73	USD
Ukraine-2022	7,75	01.09.2022	103,93	104,77	5,32	USD
Ukraine-2023	7,75	01.09.2023	105,12	105,96	5,63	USD
Ukraine-2024	8,99	01.02.2024	108,08	109,01	6,11	USD
Ukraine-2024	7,75	01.09.2024	104,44	105,38	6,24	USD
Ukraine-2025	7,75	01.09.2025	104,33	105,28	6,52	USD
Ukraine-2026	6,75	20.06.2026	101,50	102,44	6,24	EUR
Ukraine-2026	7,75	01.09.2026	103,92	104,75	6,78	USD
Ukraine-2027	7,75	01.09.2027	104,13	105,00	6,85	USD
Ukraine-2028	9,75	01.11.2028	113,59	114,42	7,39	USD
Ukraine-2030	4,38	27.01.2030	85,58	86,50	6,44	EUR
Ukraine-2032	7,38	25.09.2032	100,23	101,17	7,23	USD
Ukreximbank	16,50	02.03.2021	100,06	102,75	11,61	UAH
Ukreximbank	9,63	27.04.2022	102,12	103,14	7,67	USD
Ukreximbank	9,05	09.02.2023	98,88	100,76	7,03	USD
Ukreximbank	9,75	22.01.2025	102,66	103,27	8,85	USD
Oschadbank	9,38	10.03.2023	102,13	102,21	8,41	USD
Oschadbank	9,07	19.01.2024	94,15	97,46	8,06	USD
Oschadbank	9,63	20.03.2025	102,80	103,21	8,76	USD
Privatbank CJSC	11,00	09.02.2021	5,33	6,03	2568,4	USD
Metinvest BV	7,50	31.12.2021	98,59	99,62	7,70	USD
Metinvest BV	7,75	23.04.2023	97,92	98,18	8,51	USD
Metinvest BV	5,63	17.06.2025	89,87	91,10	7,85	EUR
Metinvest BV	8,50	23.04.2026	96,21	96,85	9,21	USD
Metinvest BV	7,75	17.10.2029	91,02	92,10	9,03	USD
DTEK Finance	10,75	31.12.2024	56,37	58,74	25,93	USD
MHP SE	7,75	10.05.2024	104,61	104,89	6,28	USD
MHP Lux SA	6,95	03.04.2026	100,24	100,84	6,77	USD
MHP Lux SA	6,25	19.09.2029	93,09	95,78	6,88	USD
Kernel Holding	8,75	31.01.2022	103,50	103,66	6,19	USD
Kernel Holding	6,50	17.10.2024	97,76	99,53	6,63	USD
Ukraine Railways	9,88	15.09.2021	100,96	101,24	8,69	USD
Ukraine Railways	8,25	09.07.2024	98,88	99,17	8,50	USD
NAK Naftogaz	7,38	19.07.2022	98,88	99,03	7,91	USD
NAK Naftogaz	7,13	19.07.2024	96,35	97,30	7,94	EUR
NAK Naftogaz	7,625	08.11.2026	95,43	96,48	8,35	USD

Source: Bloomberg

UKRAINE'S MACROECONOMIC INDICATORS

Indicator	2016	2017	2018	2019	2020
GDP. %	2.3	2.5	3.3	3.2	-1.3 (first quarter, preliminary data)
Industrial output. %	2.4	-0.1	1.1	-1.8	-12.2 (May)
Consumer price growth. % year-on-year	12.4	13.7	9.8	4.1	2.4 (June)
Producer price growth. % year-on-year	35.7	16.5	14.2	-7.4	-4.6 (June)
Balance of payments (consolidated). USD billions	1.3	2.6	2.9	6.0 (preliminary data)	-0.4 (May, preliminary estimate)
Current account balance. USD billions	-1.3	-2.4	-4.4	-1.1 (preliminary data)	1.4 (May, preliminary estimate)
Balance of trade. USD billions	-6.5	-8.6	-12.7	-14.0 (preliminary data)	0.4 (May, preliminary estimate)
International reserves, USD billions, by the end of the period	15.5	18.8	20.8	25.3	28.5 (June, preliminary estimate)
External debt. USD billions	113.6	116.6	114.7	121,7 (forth quarter)	120.3 (first quarter, preliminary data)
Banking system assets, % of annual growth	0.2	6.4	2.0	9.9	6.5 (January-May)
Exchange rate. by year end. UAH/USD	27.19	28.07	27.69	23.69	26.69 (June)
Exchange rate. annual average. UAH/USD	25.55	26.60	27.20	25.85	25.98 (January-June)

Source: the State Statistics Service, NBU

Index/ commodity	Description
S&P 500	Standard and Poor's 500 Index is a capitalization-weighted index of 500 stocks
FTSE 100	The FTSE 100 Index is a capitalization-weighted index of the 100 most highly capitalized companies traded on the London Stock Exchange
MSCI	The MSCI EM Eastern Europe Index is a free-float weighted equity index
PFTS	PFTS is a Ukrainian stock index, which is calculated daily based on the results of trading at the PFT stock exchange.
RTS	Index RTS Index is cap-weighted composite index calculated based on prices of the 50 most liquid Russian stocks of the largest and dynamically developing Russian issuers presented on the Moscow Exchange
Brent crude	COA Comdty Crude Oil, Brent Active Contract
WTI crude	CLA Comdty Crude Oil, WTI Brent Active Contract
Wheat	Ukraine Feed Wheat Feed Grain Market FOB Black Sea Ports Price



DEPARTMENT OF INVESTMENT BUSINESS

Anton Stadnik
Head of department
+38 044 231 7046
anton.stadnik@fuib.com

Marina Timbay
Trading and brokerage
+38 044 231 7053
marina.timbay@fuib.com

Nataliya Khimich
Research
+38 044 231 7380
nataliya.khimich@fuib.com

Olena Lysyanska
Research
+38 044 231 7380
olena.lysyanska@fuib.com

PUBLIC RELATIONS

pr@fuib.com

This document is based on data we deem to be reliable, though we do not guarantee its accuracy or completeness and make no warranties regarding results from its usage. Forecasts are estimates by specialists working for us, and actual events may turn out to be fundamentally different due to unforeseen circumstances. This document is provided for information purposes only.